



USDA Foreign Agricultural Service

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## United Arab Emirates

### Agricultural Situation

### Exporter Guide for 2008

### 2008

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**Report Highlights:**

U.S. agricultural exports to the GCC-5 continue to grow, setting a record of \$685 million in 2007, with another record expected in 2008. A weaker dollar, along with the U.S reputation for quality and variety are helped to fuel the increase. Recent discussions with importers point to continued optimism about export growth in the food sector, especially for items geared to lower cost restaurants and retail.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Dubai [TC1]  
[TC]

## SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5<sup>1</sup>) countries covered by the Agricultural Trade Office are a relatively homogeneous group of small nations with a total population of 12 million. Energy revenues are an important source of revenue and per capita income levels are high (Qatar \$75,900, U.A.E. – \$55,200, Kuwait – \$55,300, Bahrain - \$34,700, and Oman - \$19,100), according to 2007 data. Inflation rates are between 10 and 15 percent, depending on the GCC country.

Of the five countries, the United Arab Emirates (U.A.E.) is the largest market for food products, followed by Kuwait. Within the U.A.E., Dubai is the country's commercial center and the region's trade hub. Efficient infrastructure (sea and air ports), large free trade zones and a strong business orientation help provide the tools to make Dubai an important commercial center for the Middle East and beyond. Dubai derives sizable revenue from the re-export business and invests heavily in infrastructure development, while working to attract foreign investment and buyers. Other countries in the region and other Emirates, particularly Abu Dhabi, the capital of the U.A.E, are following Dubai's lead in an effort to improve infrastructure and attract business interests.

The harsh climate, limited water resources and poor soil conditions continue to be a barrier to increased agricultural production in the GCC-5. Consequently, the countries must import nearly 90 percent of their food, raw materials for further processing, and feed requirements. Annual GCC-5 food imports are estimated at \$10 billion, of which the U.A.E. share is about 60 percent. Rising populations and a dollar peg for all but one of the GCC-5 currencies have helped to boost exports of U.S. agricultural products to the GCC-5, particularly of consumer-ready food products which account for about 60 percent of total U.S. food exports. Accurate re-export trade data are not available, it is estimated that 40-50 percent of U.A.E. food imports are re-exported to Middle Eastern, Asian and African countries. For 2007, consumer food import growth is estimated at five percent given the growth in population, the growing business and tourism travel trade, and the growing number of foreign workers who are drawn to the region. Prospects for 2008 remain unclear in light of the global financial situation. However, many food importers continue to report strong sales and optimism about the future, especially in retail foods and groceries. Prospects for luxury food items are less clear.

Most consumer demand for seafood products is met through local production and imports from Oman, Iran and India. High-end specialized items are imported from other countries, particularly the European Union. Small quantities of specialty U.S. sea foods are imported.

Population growth rates across the region are estimated at 3.5 percent annually. An interesting aspect of the GCC-5 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, the majority of whom are from Asia, particularly the Indian subcontinent, and, to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor and also occupy a sizable share of the clerical, technical and middle and upper management positions. A significant population of Western expatriates from Europe and North America also work in professional positions. In Dubai, home to the regional headquarters of most multi-national companies operating in the Middle East region, the expatriate population comprises an estimated 80 percent of the population. The expatriate community throughout the GCC influences food product imports. Of the local population, a high percentage travel annually to the West and many obtain university degrees abroad, both factors expose these consumers to Western and U.S. foods. With the spread of international television via satellites, consumers buying decisions are influenced

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<sup>1</sup> Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.

more and more by region-wide advertising campaigns. Also, the increasing number of working women, particularly married ones, helped to introduce new consumption patterns such as dining out, prepared and semi prepared meals.

**Table 1: U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)**

Country	CY 2005	CY 2006	CY 2007	January – July Comparison	
				CY 2007	CY 2008
Bahrain	15.9	17.0	20.1	10.9	28.8
Kuwait	83.5	85.4	118.2	68.0	89.8
Oman	14.0	17.2	33.0*	20.8	19.0
Qatar	15.8	18.7	23.6*	12.3	20.6
U.A.E.	296.3	358.6	489.0*	213.7	330.6
Total GCC-5	425.5*	496.9	683.9*	325.7	488.8*

\*Record

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
<i>Weak dollar provides advantage as GCC currencies are pegged to the dollar except Kuwaiti Dinar</i>	<i>Higher freight rates for U.S. foods compared to other suppliers</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local and regional processors.</i>
<i>Broad familiarity with U.S. culture.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest incomes.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. exporters who are not willing to entertain small orders, consolidate shipments and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait and Qatar.</i>	<i>Importers often want to start with small quantities and consolidate shipments.</i>
<i>Low tariffs and relatively transparent import procedures.</i>	<i>Finished products must carry production/expiry dating and should carry Arabic labels.</i>

## SECTION II: EXPORTER BUSINESS TIPS

- 1. Study Each Market:** This may seem like obvious advice, but importers often complain that U.S. suppliers are not well informed about local market conditions and requirements, that are regularly updated. Market information and trade data for the GCC-5 can be obtained from the internet at <http://www.fas.usda.gov>. U.S. companies may obtain information on ATO Dubai activities by contacting ATO Dubai directly.
- 2. Visit the Region:** Making personal contacts is perhaps the single most important action a U.S. company can take. Letters, faxes and e-mails alone do not generally suffice in terms of generating serious interest among potential buyers. Repeat visits are also important as they demonstrate a commitment to the market.
- 3. Participate in the Gulfood Show:** If serious about penetrating this market, attending the Middle East's largest food show, the annual Dubai-hosted Gulf Food Show, should be part of your strategic plan. This event has grown to be the most important food trade show in the Middle East and attracts trade visitors from around the region. Please contact ATO Dubai for more details about the February 23-26, 2009 exhibition. Note: Contact your state department of agriculture to learn if support can be provided for your participation in this show.
- 4. Exhibit at a Major U.S. or International Food Show:** If you cannot visit the region or attend Gulfood, notify potential customers of your participation in various U.S. or international food shows. Give your contacts plenty of advance notice so travel arrangements can be made. Each year approximately 40-50 major GCC-5 based food importers travel to the U.S. and foreign food shows such as ANUGA, SIAL, Private Label Show, NRA, Bakery Ingredients, SNAXPO and Fancy Foods.
- 5. Target Reliable Importers:** In addition to the foreign buyers list which is available through the Overseas Trade Support Branch (OTSB)/Office of Trade Programs/FAS/Washington, which can provide a list of local importers, by product, ATO Dubai (Fax: 971-4-311-6189; E-mail: [atodubai@fas.usda.gov](mailto:atodubai@fas.usda.gov)) can provide a directory of GCC-5 companies known to be importing U.S. food products. This directory is arranged by product category, brand and country. It is also updated annually.
- 6. Study Local Food Regulations and Requirements and Be Prepared to Discuss Product Price, Preferably on a C&F Basis:** Be sure to include the cost of label modification to meet local regulatory requirements. Production and expiry dates are mandatory on the original package label. You will also be required to include an Arabic label or sticker on your product.
- 7. Bring Samples and be Prepared to Discuss Marketing Strategy and Possible Promotional Assistance:** Samples are an important market introduction tool. To help encourage introduction of new-to-market products, offering importers assistance with advertising, in-store displays and even price discounts may be necessary.
- 8. Help Advertise:** Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but very expensive. Be prepared to assist in payment of listing and shelf keeping fees, these costs have increased considerably in recent years.
- 9. Provide Website URL:** Provide contacts and consumers with contact information through which they can submit queries on the products. Websites help importers to browse through your line of products and view your label.
- 10. Be Willing to Entertain Smaller Orders, to Consolidate Shipments, or to Share**

**a Shipment with Someone:** In many cases, local importers will want to purchase small initial quantities, particularly for new-to-market products, to test the product's market potential and to develop the supplier/buyer relationship.

**11. Be wary of agency agreements:** These agreements have been virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries. Legally it is no longer required for most products in the U.A.E. and Oman.

### SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

In 2007, U.S. agricultural, fishery and forestry product exports to the GCC-5 totaled \$687 million, of which 60 percent were consumer-ready foods and beverages. ATO Dubai estimates that 55 percent of this trade went directly to food retail. In the case of the U.A.E., reliable trade sources estimate that 40-50 percent of imported foods are re-exported to other GCC countries, East Africa, Iran, Iraq, Yemen, former Soviet Union countries, and South Asia.

The Hotel, Restaurant and Institution (HRI) sector consumes about 40 percent of imported U.S. consumer-ready foods and beverages, particularly red and poultry meats. The HRI sector is expanding in the GCC-5 markets as countries work to further develop their tourism and business sectors. According to some projections, the UAE will add an additional 50 five star hotels over the next few years. However, growth in this sector may slow in light of the global financial situation. Institutional demand is driven in large part by large labor camps that provide housing for laborers and middle to lower wage workers, many of whom are from South and East Asia. Semi-processed commodities like frozen chicken and rice are more in demand in this sector as compared to more highly processed food products. U.S. military troops and ships are served by the catering sub-sector. While food is often shipped directly from the United States, local distributors and caterers also supply certain items. Kuwait has become an important re-export center for the military presence in Iraq. Products of particular demand in the HRI sector in the GCC-5 include red meat, poultry meat, dairy products, rice, edible oils, nuts, processed and fresh fruits and vegetables, snack foods, and processed eggs.

There are an estimated 300 food processing firms in the UAE and a smaller number of food processors in other Gulf countries such as Kuwait, Oman and Bahrain. This sector consumes much of the bulk, intermediate and semi-processed products the United States sells to the region. In the food-processing sector, U.S. ingredients are mainly used in the following product categories – flour and bakery products, vegetable oil, canned beans, carbonated beverages, chicken franks, manufactured snack foods and reconstituted juices. Two major soybean crushing facilities with a 6 million metric ton processing capacity/year are operating in the UAE. They are currently used for crushing rapeseed and soybeans for the production of oil and meals. Soybeans are sourced from the United States and Latin America. Local dairies and poultry farms are not large enough to meet local demand. Consequently, a number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. It is expected that an increasing number of multinational food companies will look to tie up with local processors. A major U.S. food manufacturer is currently setting up a cheese processing plant in Bahrain.

More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report #TC7004, dated March 15, 2007 [USDA Foreign Agricultural Service \(FAS\) – Attache Reports](#).

**Food Retail Consolidation:** Like many developed countries around the globe, the food retail sector in the Gulf region is undergoing consolidation due to greater competition. Hypermarkets are transforming the local retail sector by forcing local entities to expand

and/or upgrade existing facilities to remain competitive. A major U.A.E.-based importer, distributor and retailer is upgrading and expanding its hypermarket/mega store chain in the region. Several other local retailers are doing the same, targeting both upscale and more middle class consumers and trying to fill particular niches for premium foods. These retailers often rely on customer feedback in making purchasing decisions. Consumer cooperatives only exist in the UAE and Kuwait markets. While they dominate almost 70 percent of the retail market in Kuwait, they have a 25 percent market share in the U.A.E. In addition to their loyal local shareholders and customers, the coops attract a wide range of middle class consumers of Arab and Indian origin. Several retail chains provide home delivery service to their customers. The casualties of this competition will likely be small and some medium-sized groceries, depending on their locations. The number of mom-and-pop stores is on decline; however, many should survive given the multiple services they provide to their customers.

**Tourism's Potential:** The Gulf region offers business and casual visitors excellent wintertime weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and services. In addition, the region offers some of the richest international events ranging from golf and tennis tournaments, formula 1 car racing (in Bahrain and UAE), horse-racing's largest purse (Dubai), power boat racing and a host of trade events that garner broad attendance from across the Middle East and beyond. The GCC-5 countries, Dubai, U.A.E. in particular, are working hard to make travel to this region more pleasurable. Overall, ATO Dubai projects U.S. food export growth to the GCC-5 at 5-10 percent annually for the next few years.

**Trends in promotion/market strategies and tactics:** Promotions and aggressive product marketing are essential, in view of the intense competition between countries, companies and brands, not only to gain but to also maintain market share. Newcomers to this market should be prepared to include product marketing and promotional support in their plan as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market advertenting easier, the cost is expensive. Regular in-store promotions and newspaper ads are still the most commonly applied advertising tools in this field.

**SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS**

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|---------------------------------------|---------------------------------|
| 1. Almonds (shelled)                  | 10. Breakfast Cereals           |
| 2. Beef & products (chilled & frozen) | 11. Confectionary Products      |
| 3. Poultry Meat (frozen parts)        | 12. Frozen Vegetables           |
| 4. Snack foods                        | 13. Pulses                      |
| 5. Fresh Apples & Pears               | 14. Planting Seeds              |
| 6. Edible oils                        | 15. Sweeteners & Beverage Bases |
| 7. Cheeses                            | 16. Pet Foods                   |
| 8. Fruit and vegetable juices         | 17. Rice                        |
| 9. Condiments and Sauces              |                                 |

**SECTION V: KEY CONTACTS AND FURTHER INFORMATION**

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE  
6020 Dubai Place  
Dulles, VA 20189-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE  
U.S. CONSULATE GENERAL  
P.O. BOX 9343  
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: +971-4-311-6183 OR 311-6100  
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*Pertinent Government Food Import Contacts:*

Bahrain: Mr. Abdullah Baker, Head of Food & Water Control Section, Ministry of Health  
Telephone: 973-17-273-683 Fax: 973-17-279-253

Kuwait: Mr. Khaled Al-Zahmoul, Manager Imported Food Department  
Kuwait Municipality  
Telephone: 965-487-4969/5387 Fax: 965-487-9706

Oman: Mr. Saleh M. Al-Zadjali, Director  
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